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FIRST COUNTRY COOPERATION FRAMEWORK FOR MEXICO (1997-2001)

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INTRODUCTION

1. The first UNDP cooperation framework for Mexico (1997-2001) is the outcome of extensive consultations conducted with representatives of 16 departments of the Mexican Government and the specialized agencies, funds, institutions and programmes of the United Nations represented in Mexico, as well as with the Bretton Woods institutions. The present document has been prepared on the basis of the priorities established in the National Development Plan 1995-2000 and presented in the country strategy note, taking as the frame of reference resolutions 95/22 and 95/23 of the UNDP Governing Council.

I. DEVELOPMENT SITUATION FROM A SUSTAINABLE HUMAN DEVELOPMENT PERSPECTIVE

2. Mexico is at present recovering from the severe economic crisis which began in December 1994 and led to a devaluation of the peso by more than 100%, a decline in GDP by more than 6%, annual inflation of 52%, open unemployment of more than 7.6%, and a weakening of the national financial system.

3. In 1996 there was a significant upturn in economic activity which was reflected in an increase of 4.5% in GDP, a drop in the open unemployment rate to 4.8%, and inflation of 27% at year's end.

4. In this new context the central objective of Mexico's economic policy is to achieve sustained growth of output and jobs, ensure the stability of the macroeconomic indicators, shift public expenditure towards productive investment and social programmes, and strengthen the exports sector. In particular, the target for 1997 is to achieve real GDP growth of over 4%, an annual inflation rate no higher than 15%, and a level of public investment 26% higher than in 1996. Of particular importance for the aggregate volume of the economy is the strength of exports, which will have to increase to more than 100,000 million dollars.

5. Mexico is regarded as a relatively more developed country, with a per capita GDP of slightly more than $US 3,000 in 1995, which ranks it as a country of high average income according to the World Bank classification. In view of its national capacities Mexico is a strong advocate of international cooperation, for it participates both as a recipient and as a provider of technical cooperation, primarily in the area of human resources training. In December 1996 the Government of Mexico submitted to the United Nations system a country strategy note which indicates as the priority areas for the channelling of international cooperation to the country: the fight against poverty, jobs creation, enhancing the role of women, and sustainable use of natural resources.

6. In 1995 Mexico had a population of 91 million, 68% of which lived in urban areas. The population growth rate has been gradually declining and stood at 2% in 1996. The National Population Programme 1995-2000 sets the target of a growth rate of 1.75% for 2000.

7. Although Mexico occupies 48th place in the 1996 human development index ranking, so that it is among the countries of high human development, it is

calculated that some 40 million people live in poverty and about 14 million in extreme poverty. The economic and social marginalization is particularly severe in the case of women and the indigenous population: two out of every three adults who cannot read or write are women; more than 40% of the indigenous population aged over 14 is illiterate and 37% has received no schooling. Mexico's indigenous peoples account for about 6% of the total population. In 1990 83% of the employed indigenous population had incomes of less than six dollars a day. There has been no substantial change in this situation since then.

8. As one of Mexico's major activities in the fight against poverty, this year will see the start-up of the first stage of the Food, Health and Education Programme (PASE) in 25 regions of the country, which is intended to satisfy the needs of 400,000 families living in areas with high marginalization figures. The target for 2000 is to succeed in satisfying the needs of most of the people living in extreme poverty.

9. For the first time Mexico is producing a national programme for women which embodies the principles and recommendations of the Cairo and Beijing Conferences: the activities are being designed to promote greater gender equity.

10. The micro-enterprise and small-enterprise sector accounts for about 90% of Mexico's business activity and constitutes its main source of employment. One feature of this sector is that it operates partly on the margins of the formal sector and suffers from shortcomings in marketing, management, technology and human resources. The total weight of the parallel or informal sector in the economy is estimated at 21.7% of the economically active population. Accordingly, the Industrial Policy and Foreign Trade Programme 1995-2000 is designed to create mechanisms to speed up the development of regional and sectoral industrial groupings which can compete internationally and to promote increasing integration of micro-enterprises and small and medium-sized enterprises in such groupings.

11. The country strategy note emphasizes that Mexico is witnessing a serious deterioration of its environment. The main urban areas are facing acute problems of pollution, poor air quality, and difficulties in the management of urban and dangerous industrial wastes. Most of the hydrological basins are polluted, and deforestation is one of the main causes of ecosystem change.

12. Mexico has regional imbalances in its economic and social development. The bulk of the population tends to be concentrated in the big metropolitan areas, while the population of rural areas is widely scattered. Many states and a large number of municipalities are experiencing serious constraints in the delivery of basic services, development of their human and financial resources, and management of their territory. The decentralization of powers and functions to the state and municipal governments is therefore regarded as a crucial factor in national development and a key to the correction of the regional imbalances.

II. RESULTS AND LESSONS OF PAST COOPERATION

13. The activities of the fifth cycle were tailored to the objectives set in the National Development Plan 1989-1994, concentrating on the 52 projects carried out in the following four areas: environment, poverty and population, technological development, and institutional backstopping.

14. In general terms the fifth cycle had two main characteristics: (a) extension of the modality of national implementation, which was used in 36 of the 52 projects; and (b) resource mobilization, which meant that by the end of the cycle the UNDP Office in Mexico had operated projects totalling 29 million dollars, an amount three times higher than the indicative planning figure (IPF) assigned to Mexico.

15. With a view to strengthening the Mexican Government's cooperation policy, the Foreign Ministry received UNDP support to promote technical cooperation among developing countries (TCDC) and strengthen its national execution capacity.

16. A joint procedure was adopted for the selection of fifth-cycle projects: (a) a dialogue with governmental institutions and (b) an open invitation to submit proposals. The latter mechanism did not produce the expected results, for the planned budgetary limits were not reached (either for cost-sharing or the total projects budget). Features of the projects of the fifth cycle included their large number, small size, thematic and geographic dispersal, lack of operational links with each other, low level of involvement of state and municipal governments, and in some cases the use of UNDP resources to finance inputs.

17. In recent decades UNDP and the other organizations of the United Nations system working in Mexico have witnessed a decline in the volume of their own resources. For example, UNDP saw its own funds fall from 20 million dollars in the second cycle to less than 7 million in the fifth cycle. This reduction means that there must be greater coordination among the organizations in the system in order to guarantee the quality and impact of the programmes.

18. On the basis of a critical evaluation of the achievements and lessons of the fifth cycle it is concluded that in the sixth cycle attention should be given to the following considerations:

(a) In view of Mexico's great geographical size, it is necessary to increase the sectoral and geographical concentration of the projects, working not only with federal agencies but also with state and municipal offices and in a small number of sectors, so as to boost the multiplier effect of the resources. With this in mind, there is a need to promote the development of an integrated cooperation policy more vigorously and on an intersectoral basis;

(b) At the same time, as pointed out in the country strategy note, it is necessary to promote the effective integration of the cooperation activities of the organizations of the United Nations system, in which the UNDP programmes will have to be incorporated, and to encourage exchanges and

closer collaboration with other multilateral bodies and bilateral donors - of both technical and financial assistance - engaged in the national development effort.

III. PROPOSED STRATEGY AND THEMATIC AREAS

19. Mexico's cooperation with UNDP for the period 1997-2001 (sixth cycle), focusing on the promotion of sustainable human development, will be based on the following premises:

(a) Its reference point will be the country strategy note, as the fundamental framework for Mexico's receipt of cooperation, which will pursue four essential policies: (i) overcoming poverty; (ii) efficient and environmentally sound resource use; (iii) encouraging the new federalism; and (iv) promoting the productive sector;

(b) Concentration on areas in which UNDP, in addition to furnishing its own knowledge and specific experience, delivers resources which can generate a multiplier effect to justify the programme and render it relevant. This has been the case, for example, in matters of environmental protection, for the UNDP activities created greater awareness of and sensitivity to environmental issues, and this had a major impact on the creation and consolidation of the relevant national institutions, including the Secretariat of State for the Environment and Natural Resources.

20. Accordingly, within the areas indicated in the country strategy note UNDP will participate in the following programmes:

(a) Programme of support for the anti-poverty campaign: Bearing in mind the country's economic situation, the best way to combat poverty in Mexico is to develop the productive sector, which is the main generator of wealth and well-being for most of the population. Therefore, the UNDP activities will help to strengthen this sector by means of programmes for the development of micro-enterprises and small enterprises (especially ones established in indigenous communities and/or run by women) which can be replicated;

(b) Programme of support for environmental development policy: UNDP has demonstrated its capacity to develop environmental programmes and has helped Mexico to attract and utilize funds from international organizations. In this context UNDP will support the Mexican Government in the design and execution of its environment programme, channelling to it international resources such as those offered by the World Environment Fund (WEF) or the Montreal Protocol;

(c) Programme of support for decentralization in the framework of the new federalism: In view of the neutrality of UNDP and its experience in several countries of the region, it is possible that it may collaborate positively with the Mexican Government in strengthening decentralization and in institution building;

(d) Programme of support for the development and consolidation of Mexico's cooperation policy: In view of the important role of the international cooperation furnished and received by Mexico, there is a need

to promote, in conjunction with the national authorities, both the internal projection of such cooperation and its expansion as part of TCDC.

A. Programme of support for the anti-poverty campaign

21. Within the framework of the activities of the Mexican Government in its fight against poverty, UNDP will concentrate its own work on two subprogrammes: (a) development of micro-enterprises and small enterprises and (b) support for the economic and social development of the indigenous population.

22. Subprogramme on development of micro-enterprises and small enterprises. In view of the need to strengthen such enterprises and remedy the situation described in section II of this document, UNDP will concentrate its activities on the following components:

(a) Support for the integration of production chains and encouragement of subcontracting. The large number of big enterprises, both Mexican and foreign, established and operating in the country represents an opportunity for growth which must be turned to account to strengthen Mexico's micro-enterprises and small enterprises. To this end UNDP will help to: (i) formulate programmes to support links between big business and micro-enterprises and small enterprises; and (ii) initiate plans for the encouragement of subcontracting, such as the ones which are already operating successfully in several Latin American countries and have made a contribution to the expansion of micro-enterprises and small enterprises and to job creation. International experience shows that programmes of this type must be carried out at the regional or local level with direct participation by local and regional businessmen and authorities, and must be tailored to the demand, i.e. must support micro-enterprises and small enterprises so as to enable them to satisfy the requirements of quality, time and cost stipulated by larger businesses and the market. Particular attention will be given to enterprises run by women;

(b) Encouragement of associations of micro-enterprises and small enterprises. The main problem of such enterprises is not their small size but their isolation. In order to contribute to the solution of this problem plans must be formulated for partnerships and collaboration among enterprises so that they can combine their efforts and obtain high-quality and low-cost services, such as market studies, technological and managerial development, human resources training, access to credit, links with centres of excellence, etc. In collaboration with other organizations of the United Nations system concerned with the development of small enterprises, UNDP will support the creation and consolidation of associations of small businesses providing services at the local level, in order to facilitate the physical closeness of the partners. Networks of businesswomen have been formed in Mexico and have proved successful in the micro-enterprise sphere. In this context support will be provided for the establishment and consolidation of such networks, particularly with respect to training in business organization.

23. Subprogramme of assistance for the indigenous population. In order to incorporate the indigenous population fully in the country's development it is essential to: understand their problems in greater detail (real income

levels and jobs situation, geographical location, cultural diversity, etc.); rely on institutions working actively to promote indigenous interests; and promote the sources of income of the indigenous population. To this end UNDP will contribute to the strengthening of the following components:

(a) Indigenous population information systems. Although Mexico has adequate statistical services, the information about the indigenous population is not at all up to date or systematized. Since this population is in a state of constant change, it is important to have reliable and up-to-date information bases. More extensive use of these statistical tools and of data on the indigenous peoples will facilitate the formulation of strategies and programmes of action by governmental, federal, state and municipal institutions. Such systems will provide relevant information with indicators reflecting gender differences in relation to land-ownership, income levels and type of work. Support will also be provided for the standardization of methodologies in order to secure uniform and homogeneous data, and the foundations will be laid for the sustainable provision of such data;

(b) Strengthening of indigenous institutions. UNDP will support the decentralization of the INI and the institutional consolidation of the future Indigenous Commission in its functions as a standard-setting body, coordinator of the programmes on indigenous questions, and defender of the social and juridical rights of the indigenous peoples;

(c) Production projects with indigenous communities. These projects will support federal, state and municipal agencies in creating production alternatives in indigenous areas on a commercial basis and will provide technical and technological support focused on the market demand. In Mexico's indigenous areas women suffer more severe discrimination than in other parts of the country. An effort will be made to carry out a strategy to enable women, without violently disrupting their cultural environment, to participate as organizers, promoters and beneficiaries of production projects. A parallel effort will be made to coordinate the projects of this kind with the social measures implemented by other organizations of the United Nations system for the purposes of integrated development.

B. Programme of support for environmental development policy

24. Mexico's environmental authorities have indicated the cumulative effects of the improper use of natural resources and the reduction of production opportunities caused thereby; it will be difficult to remedy this situation in the short term. For this reason the Government's measures are focused, as a first step, on checking the slide towards environmental deterioration and laying the basis for a transition to sustainable development in the medium and long terms.

25. In this context UNDP will concentrate its efforts on a programme combining the use of natural resources with environmental protection measures by means of the following subprogrammes: (a) follow-up of international commitments; (b) support for the decentralization of environmental management; and (c) support for the industrial sector.

26. Subprogramme on follow-up of international commitments. This

subprogramme will be carried out in the context of the National Agenda for Sustainable Development, which will include the objectives set out in the Earth Summit's Agenda 21. It will consist inter alia of WEF-financed projects designed to secure environmental benefits of global scope in the following four areas of WEF activity:

(a) Biological diversity. Production of a national biological diversity strategy defining the main lines of action which will guide the national policies drawn up pursuant to the Convention on Biological Diversity; studies for the design and commissioning of sustainable development programmes in priority regions and strengthening of conservation work and the sustainable use of natural resources within protected natural areas and their zones of influence;

(b) Desertification. Institutional capacity building with a view to complying with Mexico's commitments under the United Nations Convention to Combat Desertification by means of a soils information network, and production of sets of proposals for soil conservation and combating land degradation;

(c) Climate change. Support for the Mexican Government in fulfilling its commitments under the United Nations Framework Convention on Climate Change by means of studies and activities in such areas as the dynamics of change in land use, emission of greenhouse gases in temperate and tropical forests, economic tools for mitigating climate change and emissions of greenhouse gases from living systems, etc.;

(d) International waters. Programme to combat marine pollution in selected coastal zones, which will supply indicators for analysing the behaviour of pollutants.

27. Subprogramme of support for the decentralization of environmental management. This subprogramme will support the decentralization of environmental management to the state and municipal levels in its components on: execution, training, evaluation, and dissemination of information. There will also be a continuation of the work of strengthening local management capacities and the co-participation of entities of civil society in the formulation of public policies, as well as the implementation of environmental conservation projects connected with productive activities.

28. Subprogramme of support for the industrial sector. This subprogramme has two main components: (a) the development of joint projects with industrial enterprises with a view to promoting pollution-free production and respect for the environment by such enterprises, including more intensive application of national and international standards such as the ISO 14000 environment certificate, together with strengthening of the Mexican Centre for Cleaner Production and dissemination of its services to the nation's industries; and (b) the strengthening of the programme on protection of the ozone layer under the auspices of the Montreal Protocol. A total of more than 3 million dollars has already been committed for the sixth cycle, and work is beginning in new sectors such as micro-enterprises and small enterprises and the solvents-manufacturing industry.

C. Programme of support for decentralization in the framework of the new federalism

29. The new federalism concept is part of a series of reforms which is being promoted by the Mexican Government, including: electoral reform, reform of public authorities and of the administration of the Federal District, reforms affecting the rights of indigenous peoples, reform of the social communication media, and provision of broader opportunities for participation by the citizenry.

30. One important part of the new federalism is the decentralization of the functions, fiscal resources and public programmes of the institutions of the Federal Government to the states and from the states to their municipalities, with a view to strengthening the federal covenant. Accordingly, emphasis will have to be given to the activities designed to strengthen the municipalities and develop the management of their territories, taking into account a temporary current situation: the accelerated decentralization of public expenditure.

31. UNDP activities will support the national institutions responsible for the decentralization process in the formulation and execution of their programmes by means of analysis of international experience in: (a) mechanisms for coordination and assignment of responsibilities at the national, state and municipal levels; (b) juridical framework and financing of the decentralization process; (c) development of the management capacities of states and municipalities; (d) encouragement of participation by the people; and (e) various activities concerned with political development, including assistance with the observation of elections.

D. Programme of support for the development and consolidation of Mexico's cooperation policy

32. UNDP will support the Mexican authorities responsible for international cooperation in the consolidation of the national policy, concentrating on four main areas: (a) expansion of cooperation activities with the countries of Central America and the Caribbean, increasing the geographical cover and the impact and seeking active links with the relevant agencies in these countries; (b) expansion of horizontal cooperation activities with countries having a similar relative level of development, and encouraging the expansion of TCDC; (c) development of management capacities with respect to the receipt of international assistance by national institutions; and (d) dissemination within Mexico and to other countries of the advances resulting from external collaboration activities and from Mexico's international cooperation effort in general.

IV. MANAGEMENT ARRANGEMENTS

33. Execution. Some of the 52 projects approved during the fifth cycle are in the process of execution and will form part of the sixth-cycle programme.

34. The sixth cycle will continue to use the modality of national execution, for it has many advantages: speed and flexibility in the use of resources, institution building in the project execution agencies, and joint management

and co-participation by counterparts and UNDP in the cooperation projects.

35. There will be a continuation of the support for and collaboration with the specialized agencies, funds and development programmes of the United Nations system in the design, execution and evaluation of the sixth-cycle projects, with a view to taking advantage of the technical capacities and comparative advantages of each of them.

36. Supervision and scrutiny. In order to be able to measure the effects of the cooperation framework, a permanent system of monitoring and evaluation will be established, and it will be equipped with qualitative and quantitative indicators for analysis of the extent of the contribution of UNDP support to the attainment of the objectives of the national policies, assess the degree of sustainability of the programmes, and determine their multiplier effects and results.

37. In addition to periodic evaluation meetings, the programmes of the sixth cycle (1987-2001) will be subject to mandatory review during the third year in order to determine the reach of the programmes and improve their execution and future programming.

38. Resource mobilization. The country strategy note points to the need to move on from a traditional concept of cooperation - centralized and based on assistance - to a concept in which the counterparts, international bodies and beneficiaries work together as partners in pursuit of the objectives.

39. Since UNDP resources are limited it is of vital importance to secure other sources of funding of the shared costs both in the NGO sector and among national institutions and other sources of bilateral and multilateral cooperation.

Annex

RESOURCE MOBILIZATION TARGETS FOR MEXICO (1997-2001)
(In thousands of US dollars)

SOURCE	AMOUNT	COMMENTS
UNDP CORE FUNDS		
Estimate of available IPF	2 437	
TRAC 1.1.1	2 527	Assigned immediately to country
TRAC 1.1.2	0 to 66% of TRAC 1.1.1	These figures are presented for initial planning purposes only. The actual assignment will depend on availability of high-quality programmes. Any increase in the range of percentages will also be subject to availability of resources.
Other resources	120	TCDC
Support for preparation of policies and programmes and for technical services	133	
Partial total of core funds	5 217 */	
NON-CORE FUNDS		
Government cost-sharing	13 000	
Sustainable development funds WEF Montreal protocol	13 000 including: 8 000 5 000	
Third-party cost-sharing	-	
Funds, trust funds and other resources Poverty initiative	150	Poverty initiative
Subtotal	26 150	
GRAND TOTAL	31 367 */	

Abbreviations: IPF = indicative planning figures; TCDC = technical cooperation among developing countries; WEF = World Environment Fund.

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*/ Not inclusive of TRAC 1.1.2, which is allocated regionally for subsequent country application.